

ONTARIO

**SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**



**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR
ARRANGEMENT WITH RESPECT TO CERVUS FINANCIAL GROUP INC.
AND THE OTHER APPLICANTS LISTED ON SCHEDULE "A"**

NOTICE OF APPLICATION

TO THE RESPONDENTS LISTED HEREIN:

A LEGAL PROCEEDING HAS BEEN COMMENCED by Cervus Financial Group Inc. and those subsidiaries listed on Schedule "A" hereto (collectively, the "Applicants"). The claim made by the Applicants appears on the following pages.

THIS APPLICATION will come on for a hearing before a judge presiding over the Commercial List on Thursday the 8th day of June, 2006 at 10:00 a.m. or so soon thereafter at 393 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants and file it, with proof of service, in this court office and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the

Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2:00 p.m. on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: June 8, 2006

Issued by: _____



Local Registrar

Address of Court Office:
393 University Avenue
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TO: SERVICE LIST

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Proposed Monitor for Applicants

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Counsel for the Monitor

APPLICATION

1. The Applicants make this application for:

A. An Order, *inter alia*:

- (a) abridging the time for, or dispensing with, service or further service of this notice of application;
- (b) abridging the time for filing this notice of application;
- (c) declaring that the Applicants are "affiliated debtor companies" within the meaning of the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and that the CCAA applies to each of the Applicants;
- (d) authorizing the Applicants to file a plan of compromise or arrangement with its creditors; and
- (e) staying all proceedings against the Applicants
- (f) granting such further and other relief as the Applicants may request and that this Honourable Court may deem just.

B. An Order, for *inter alia*:

- (a) Abridging the time for service and approving the method of service of this application;
- (b) ordering that the motion to grant a sale approval and vesting Order to implement a proposed transaction involving the Applicants (the "Proposed Transaction") will be heard on June 15, 2006;
- (c) mandating the content and method of delivery of notices to be sent to the shareholders and creditors of the Applicants;
- (d) approving an exclusivity period mandated in the Proposed Transaction;

- (e) approving a break fee payable in the Proposed Transaction; and
- (f) granting such further and other relief as the Applicants may request and that this Honourable Court may deem just.

2. The grounds for the application are:

- (a) the Applicants are companies to which the CCAA applies;
- (b) the Applicants have assets in Canada and do business in Canada;
- (c) the claims against the Applicants exceed \$5,000,000;
- (d) the Applicants intend to propose a plan of compromise or arrangement with their creditors;
- (e) the Applicants require a stay of proceedings and the other relief requested in order to enable the Applicants to finalize a plan of compromise or arrangement;
- (f) because of the nature and urgency of this application, it has not been possible to provide all interested parties with notice;
- (g) the provisions of the CCAA;
- (h) rules 2.03, 3.02, 14.05 and 16 of the *Rules of Civil Procedure*; and
- (i) section 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43.

3. The following documentary evidence will be used at the hearing of the application:

- (a) the Affidavit of Peter Williams sworn June 8, 2006 in support of this Application and the exhibits annexed thereto;
- (b) the Consent of KPMG Inc. to act as Monitor;
- (c) the Report of KPMG Inc.; and
- (d) such further and other materials as counsel may advise and this Honourable Court may permit.

June 8, 2006

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Solicitors for the Applicants

SCHEDULE "A"

Cervus Financial Corp.

Cervus Funding Corp.

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Court File No. *06-CL-6482*

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at TORONTO

NOTICE OF APPLICATION

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